No. 17-1594

In The Supreme Court of the United States

RETURN MAIL, INC.,
Petitioner,

v.

UNITED STATES POSTAL SERVICE, ET AL.,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

Daryl Joseffer
U.S. CHAMBER LITIGATION CENTER
1615 H Street, NW
Washington, DC 20062

Pratik A. Shah
Counsel of Record
James E. Tysse
Martine E. Cicconi
AKIN GUMP STRAUSS HAUER & FELD LLP
1333 New Hampshire Ave., NW
Washington, DC 20036
(202) 887-4000
pshah@akingump.com

Counsel for Amicus Curiae

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BRIEF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

INTEREST OF *AMICUS CURIAE*[1]

The Chamber of Commerce of the United States of America is the world's largest business federation. It represents 300,000 direct members and indirectly represents the interests of more than three million companies and professional organizations of every

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[1] This brief is filed with the consent of all parties. Pursuant to Supreme Court Rule 37.6, amicus curiae states that no counsel for any party authored this brief in whole or in part and no entity or person, aside from amicus curiae, its members, and its counsel, made any monetary contribution intended to fund the preparation or submission of this brief.

size, in every industry, from every region of the country. An important function of the Chamber is to represent the interests of its members in matters before Congress, the Executive Branch, and the courts. The Chamber regularly files *amicus curiae* briefs in cases raising issues of concern to the Nation's business community.

Many of the Chamber's members are patent holders who have an interest in the mechanisms used to ensure compensation for the government's unauthorized use of a patented invention. The Chamber files this brief to highlight the impermissible expansion of the Patent Trial and Appeal Board's jurisdiction and the resulting inequities arising from the Federal Circuit's conclusion that the federal government is a "person" entitled to petition under the special patent review procedures created by the America Invents Act.

INTRODUCTION AND SUMMARY OF ARGUMENT

The Federal Circuit concluded that the government is among the entities that may petition the Patent Trial and Appeal Board ("Board") for special review of patents under the America Invents Act ("AIA"). That decision is incorrect. The Chamber agrees with petitioner that "person" as used in the AIA does not encompass the government. As petitioner describes, "person" has long been presumed not to include the sovereign absent an affirmative showing of legislative intent—an intent that is nowhere to be found in the AIA.

A few additional points—the focus of this brief—bear emphasis. First, the government's position that this presumption applies only where the law would subject the government to liability—*i.e.*, only where the presumption would benefit the government—is out of step with this Court's precedents. That position is also manifestly unfair. In the government's eyes, it should be treated as an ordinary litigant when such treatment inures to its benefit and as a sovereign when it does not, even (as here) within the same statutory scheme. Congress should not be presumed to have intended that one-sided result—at least not without saying so. Statutory terms like "person" mean what they mean; that meaning does not shift according to the government's litigation interests.

More fundamentally, the government's position aggrandizes the Board's jurisdiction beyond the boundaries Congress established. In 28 U.S.C. § 1498(a), Congress established a carefully calibrated scheme. Congress waived the government's sovereign immunity for patent-infringement claims but also gave the government certain advantages relative to typical infringement defendants, in order to protect the government's ability to make use of inventions.

Inferring further advantages would upset the balance Congress struck. Yet that is exactly what the United States asks this Court to do: infer that Congress *sub silentio* afforded the government an additional opportunity to bring administrative challenges without the attendant risk (faced by all other litigants) of being estopped from later raising those same challenges in court. That position, if

adopted, would impermissibly imbue the Board with authority Congress did not confer.

Worse still, it would do so at the expense of patent holders who have the misfortune of having their patents infringed by the government. Recognizing the high probability that the government would multiply the proceedings by bringing the same validity challenges in both the PTAB and the Court of Federal Claims, patent holders would be less likely to sue to vindicate their rights. By the same token, the government would be more likely to infringe patents given the multiple opportunities it would have to challenge validity and the correspondingly lower probability that the patent holder will bring suit. That result contravenes the goals Congress sought to achieve when it enacted the AIA—namely, efficient review of patents, fewer patent lawsuits, and greater confidence in patent validity.

ARGUMENT

PERMITTING AN AIA PETITION BY THE GOVERNMENT IS UNLAWFUL AND UNFAIR

The administrative state possesses only the power delegated by Congress. That should be self-evident, but the government is making a rather brazen attempt at self-aggrandizement here in two respects. First, it seeks to run roughshod over the ordinary meaning of the word "person" as used in the AIA by coining a new canon of construction: that the government always wins. Second, it does so in order to disrupt the carefully calibrated scheme set forth in Section 1498(a) for resolving patent-infringement claims against the government. This Court should enforce both statutes as written by Congress, not as reimagined by the government for its own benefit.

A. The Presumption Against Treating The Sovereign As A "Person" Applies Regardless Of Whether It Would Benefit The Government

The AIA created three mechanisms for patent review to be conducted by the Patent Trial and Appeal Board—a newly formed administrative body within the Patent and Trademark Office. *See* Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011). Although the three forms of review—post-grant, inter partes, and covered business method ("CBM")—differ, all are initiated in the same way: a "person" files a petition with the Board challenging one or more patent claims. *See* 35 U.S.C. §§ 311(a), 321(a); AIA § 18(a)(1)(B).

As petitioner correctly explains (Pet. Br. 24-26), "person" has long been presumed *not* to encompass a sovereign absent an affirmative showing of legislative intent. Yet the government would have this Court hold that the longstanding presumption applies only where the statute would expose the government to new liability. Br. in Opp. 10. That argument defies precedent and fairness.

1. For over a century, this Court has applied the "person" presumption even in circumstances in which the government would benefit from inclusion within the ambit of the term. In *United States v. Fox*, the Court refused to read a New York statute to permit a land conveyance to the federal government upon finding that it was not a natural or an artificial person. 94 U.S. 315, 321 (1876). Such an extension of the term "person," the Court explained, would require an "express definition." *Id.* Similarly, in 1925, the Court rejected the proposition that the United States could be deemed a priority creditor in bankruptcy after holding that reading "person" to encompass the government would contravene "the normal usages of speech." *Davis v. Pringle*, 268 U.S. 315, 317-318 (1925).

Years later, the Court determined that the United States was not permitted to recover civil damages for antitrust injuries under the Sherman Act; the Court rejected the government's position that expanding the ordinary meaning of "person" was appropriate for public policy reasons. *United States v. Cooper Corp.*, 312 U.S. 600, 605-606 (1941). And in *International Primate Protection League v. Administrators of Tulane Educational Fund*, the Court found that a federal

agency could not be a "person" for purposes of the federal removal statute. 500 U.S. 72, 82 (1991). In so finding, the Court observed that the government faced the "additional hurdle" that "'in common usage, the term 'person' does not include the sovereign, [and] statutes employing the [word] are ordinarily construed to exclude it.'" *Id.* (alterations in original) (quoting *Will v. Michigan Dep't. of State Police*, 491 U.S. 58, 64 (1989)).

In short, the Court has applied the presumption consistently through all these cases, even where the government stood to gain from being considered a "person." The reason is obvious: a statutory term means what it means; that meaning does not vary based on the government's preferred outcome. *Cf. Clark v. Suarez Martinez*, 543 U.S. 371, 380 (2005); *United States v. Thompson/Center Arms Co.*, 504 U.S. 505, 518 n.10 (1992) (plurality opinion); *id.* at 519 (Scalia, J., concurring in the judgment).

2. In support of its contrary argument, the government relies on *Vermont Agency of Natural Resources v. United States ex rel. Stevens*, 529 U.S. 765 (2000), noting that application of the presumption to states "would have 'subjected the States to liability to which they had not been subject before.'" Br. in Opp. 10 (quoting *Stevens*, 529 U.S. at 780-81). Drawing parallels to this case, the government points out that, in *Stevens*, the Court held that a state was not a "person" who could be sued under the False Claims Act ("FCA"), but left open whether it could be a "person" for purposes of *bringing* an FCA suit. *Id.* at 10.

Stevens cannot not bear the weight the government puts on it. Far from indicating that the

"person" presumption would not factor into an analysis of whether the state could serve as an FCA plaintiff, the Court simply declined to reach the question. *See Stevens*, 529 U.S. at 787 & n.18. Even the dissent, which found that "person" encompassed the state as both a defendant and a plaintiff, observed that "general statutory references to 'persons' are not normally construed to apply to the enacting sovereign"—*i.e.*, the *federal* government. *Id.* at 790 (Stevens, J., dissenting).

3. The decisions cited above demonstrate that the government's have-its-cake-and-eat-it-too argument is incorrect as a matter of law. The current case demonstrates that it is wrong as a matter of common sense as well. By congressional design, the streamlined advantages of AIA review come at a price: If a petitioner is unable to convince the Board to invalidate a patent, it is estopped from raising the same challenge in the district courts or the Court of International Trade. *See* 35 U.S.C. §§ 315(e), 325(e); AIA § 18(a)(1)(D). But because the AIA's estoppel provisions do not reach suits against the government in the Court of Federal Claims, *see* 35 U.S.C. §§ 315(e), 325(e); AIA § 18(b)(2) (excluding the Court of Federal Claims from the scope of estoppel provisions), the United States will not be estopped from relitigating patent validity if its challenge before the Board fails.

The unavoidable consequence of the Federal Circuit's decision (and the United States's position) is that the government enjoys the benefits of being treated as an ordinary litigant (*i.e.*, the privilege of petitioning for AIA review) without incurring the costs (*i.e.*, being estopped from re-arguing the merits of its

position in court). In other words, the government is treated both as an ordinary litigant and as a sovereign *in the same statutory scheme*. Given the longstanding presumption against reading "person" to encompass the government, this Court should not infer that Congress intended that contradictory result in the absence of any textual indication. *See McQuiggin v. Perkins*, 569 U.S. 383, 398 n.3 (2013) (Congress is always presumed to "legislate[] against the backdrop of existing law.").

B. The Government's Position Expands The Board's Jurisdiction Beyond The Boundaries Congress Set And Improperly Skews Incentives

In addition to reducing the "person" presumption to no more than a speed bump, the government's position would allow the Board to aggrandize its jurisdiction. As an administrative body, the Board "must find its powers within the compass of the authority given it by Congress." *Regents of Univ. Sys. of Ga. v. Carroll*, 338 U.S. 586, 597-598 (1950). "Unless and until Congress confers power upon [it]," the Board "literally has no power to act." *Louisiana Pub. Serv. Comm'n v. FCC*, 476 U.S. 355, 374 (1986); *cf. Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988) ("It is axiomatic that an administrative agency's power to promulgate legislative regulations is limited to the authority delegated by Congress.").

In the AIA, Congress nowhere specifically conferred on the Board the power to initiate CBM, inter partes, or post-grant review at the government's request. And viewed against the long-established parameters for patent litigation against the

government, the AIA provides no basis for inferring that Congress intended to do so.

1. Congress passed the Act of June 25, 1910, Pub. L. No. 61-305, 36 Stat. 851 ("1910 Act"), an early precursor to 28 U.S.C. § 1498(a), in the aftermath of this Court's decision in *Schillinger v. United States*, 155 U.S. 163 (1894). In that case, the Court held that the United States had not waived its sovereign immunity for the tort of patent infringement, but it had waived sovereign immunity as to claims for breach of contract. *Id.* at 168-169.

Following *Schillinger*, Congress was "inspired [to pass the 1910 Act] by the injustice of this rule as applied to rights of the character of those embraced by patents, because of the frequent possibility of their infringement by the acts of [government] officers under circumstances which would not justify the implication of a contract." *Crozier v. Fried. Krupp Aktiengesell-schaft*, 224 U.S. 290, 304 (1912). "[T]he intention of the statute to create a remedy for this condition," this Court observed, "[was] illustrated by the declaration in the title that the statute was enacted 'to provide additional protection for owners of patents.'" *Id.* (quoting 1910 Act). "That is to say, [the statute] adds to the right to sue the United States in the court of claims already conferred when contract relations exist, the right to sue even although no element of contract is present." *Id.*

Despite its motivation to correct the "injustice" caused by the prior rule, Congress did not create a system for patent-infringement claims against the government identical to the one permitting suit against private parties. Rather, it crafted a careful

balance between the patentee's rights and the government's interest. On the one hand, Congress permitted patent holders to obtain compensation for the government's use of their inventions; on the other, it ensured that the government's use of patented products would not be restricted. Congress did so primarily by making infringement claims against the government sound in eminent domain rather than in tort. *Crozier*, 224 U.S. at 305.

2. The resulting scheme affords the government certain distinct advantages as compared with typical patent-infringement defendants, all of which implicate its important sovereign interests. That is especially apparent with regard to the multiple remedial restrictions patent holders face in suits against the government.

First, injunctive relief is off the table. *See Motorola, Inc. v. United States*, 729 F.2d 765, 768 n.3 (Fed. Cir. 1984) (citing *Leesona Corp. v. United States*, 599 F.2d 958, 968 (Ct. Cl. 1979)). Given the significant leverage the threat of injunctive relief affords plaintiffs in terms of settlement and patent licensing, the practical impacts of this limitation cannot be overstated. *See* David R. Lipson, *We're Not Under Title 35 Anymore: Patent Litigation Against the United States Under 28 U.S.C. § 1498(A)*, 33 PUB. CONT. L.J. 243, 249 (Fall 2003) ("The ability to obtain injunctive relief—particularly *preliminary* injunctive relief—is among a patentee's most powerful and oft-used weapons against private infringers. That weapon is unavailable against the Government, however, due to the limited waiver of sovereign immunity manifested in § 1498(a).").

Second, enhanced damages, which are available in suits against private parties upon a showing of willful infringement, are unavailable against the government. *See Motorola*, 729 F.2d at 768 n.3. Thus, in an infringement suit against the government, "[a]n aggrieved party is entitled to receive only reasonable and entire compensation, not more than that. Unlike his counterpart in a private infringement suit, he is not entitled to be the recipient of increased damages heaped on other parties as punishment or deterrence." *Leesona Corp.*, 599 F.2d at 969.[2]

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[2] The availability of lost profits in an infringement suit against the government is also uncertain. Lost profits can far exceed the amount of a "reasonable royalty" to which patent holders are otherwise entitled. 35 U.S.C. § 284; *see, e.g.*, *WesternGeco LLC v. Ion Geophysical Corp.*, 138 S. Ct. 2129, 2135 (2018) (jury awarded $12.5 million in royalties and $93.4 million in lost profits); *Versata Software, Inc. v. SPA Am., Inc.*, 717 F.3d 1255, 1260 (2013) (affirming award of $260 million for lost profits and reasonable royalties of $85 million); *see also* Mark A. Lemley, *Distinguishing Lost Profits From Reasonable Royalties*, 51 WM. & MARY L. REV. 655, 655 (2009) ("Traditionally, patentees want to prove lost profits because only that measure captures the monopoly value of excluding competitors from the market."). But "doubt" about such damages against the government exists "because [the lost-profits approach] assumes a right to exclusivity which conflicts with the government's power of eminent domain." *Standard Mfg. Co. v. United States*, 42 Fed. Cl. 748, 758 n.10 (1999) (citing 7 DONALD S. CHISUM, CHISUM ON PATENTS § 20.03[6], at 20–454 n. 11 (1993 & Supp. 1997)), *abrogated on other grounds by Uniloc U.S.A. v. Microsoft*, 632 F.3d 1292 (Fed. Cir. 2011); *see also Tektronic, Inc. v. United States*, 552 F.2d 343, 349 (Ct. Cl. 1977) ("If lost profits are *ever* to be awarded [against the Government,] it should be only after the strictest proof that the patentee would actually have earned and retained those sums in its sales to the Government.") (emphasis added).

Third, Section 1498 permits only some plaintiffs to recover attorneys' fees or costs and, even for them, ordinarily requires a showing that the government's position is not "substantially justified." *See* 28 U.S.C. § 1498(a) (explaining that fees and costs are only available to "an independent inventor, a nonprofit organization, or an entity that ha[s] no more than 500 employees," and, "unless the action [takes] *** more than 10 years" to resolve, only if the government's position is not "substantially justified"). In cases against private infringers, by contrast, fees and costs are not restricted to select categories of plaintiffs, and courts have considerably more discretion to award costs. *See, e.g., Manildra Milling Corp. v. Ogilvie Mills, Inc.*, 76 F.3d 1178, 1182-1183 (Fed. Cir. 1996).

Finally, in addition to these remedial limitations, there is no right to a jury trial in the Court of Federal Claims. *See American Innotek, Inc. v. United States*, 113 Fed. Cl. 668, 675 n.3 (2013) ("Unlike in patent infringement litigation between private parties, there are no juries in § 1498(a) actions where the federal government is the defendant.").

3. In view of the built-in governmental advantages described above, the government is situated far differently than a private infringement defendant. And with no risk of being estopped from relitigating validity in the Court of Federal Claims, the government has every incentive to seek "two bites at the apple." Pet. App. 55a (Newman, J., dissenting). As a consequence, in order to recover against the government—even in the limited sense permitted under Section 1498—patent holders will be forced under the government's position to defend their patent

before the Board *in addition to* defending against the same invalidity challenges in the Court of Federal Claims.

That result cannot be reconciled with Congress's effort to give due consideration to the interests of patent holders and the government alike. Having set that balance in Section 1498 and its predecessors (dating back more than a century with the 1910 Act), it is inconceivable that Congress would have undermined it with the casual use of the term "person" in the AIA—particularly in view of the longstanding presumption described above. As this Court has recognized, "Congress *** does not *** hide elephants in mouseholes." *Whitman v. American Trucking Ass'ns*, 531 U.S. 457, 468 (2001).

Relatedly, when it passed the AIA, the House of Representatives explained that the three mechanisms for patent review created by the Act were designed to take the place of litigation, to "improve patent quality[,] and [to] restore confidence in the presumption of validity that comes with issued patents in court." H.R. REP. NO. 98, 112th Cong., 1st Sess. Pt. 1, at 48 (2011) ("H.R. Rep."). Reading "person" to encompass government agencies undermines those goals.

Because the government is not estopped from relitigating patent validity after failing to prove its case before the Board, government-initiated patent reviews will engender *more* litigation, not less. In addition, a patent holder whose patent is infringed by an agency cannot be confident that the issue will be settled if he is successful before the Board. Indeed, a patent holder can do little more than hope that the

government will acquiesce in the Board's decision to uphold a patent. That lack of finality degrades, rather than "restore[s]," confidence in the presumption of patent validity. *See* H.R. REP. at 48.

Moreover, if the government challenges validity despite a contrary decision by the Board, the patent holder will incur greater costs litigating an infringement claim against a government agency than it would a private party. In other words, the simple fortuity of having one's patent infringed by the government, rather than an ordinary competitor, will subject a patent holder to substantially greater burdens. Those burdens, in turn, "lessen a patentee's ability to deter governmental 'infringement'" above and beyond the already restricted remedies. Lipson, *supra*, at 262. At a minimum, Congress must speak more clearly before an administrative agency can broaden its jurisdiction in a manner that undermines statutory objectives and stacks the deck in the government's favor.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be reversed.

Respectfully submitted.

Daryl Joseffer
U.S. Chamber
Litigation Center

Pratik A. Shah
Counsel of Record
James E. Tysse
Martine E. Cicconi
Akin Gump Strauss
Hauer & Feld LLP

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